SOUTH ATLANTIC
Ventures Ltd.

Annual Report

For the year ended December 31, 2003

SOUTH ATLANTIC VENTURES LTD.
ANNUAL REPORT TO SHAREHOLDERS
For the Year Ended December 31, 2003

To our shareholders:

The Board of Directors is pleased to present the following report to shareholders on the activities of the Company over the past year and its plans for fiscal 2004.

The year 2003 was another active year for the Company with exploration ongoing at its exciting new Norrbotten copper/gold exploration project in northern Sweden and the listing of Swedish Depository Receipts on the Nya Marknaden of the Stockholm Stock Exchange.

Moving forward into 2004, a new chapter for the Company is beginning as it completes the acquisition of the Zinkgruvan zinc, lead and silver mine from Rio Tinto – an acquisition that will transform South Atlantic into a new intermediate base metals producer.

Norrbotten Copper/Gold Exploration Project

An option agreement was signed with Anglo American Exploration BV and Rio Tinto Mining and Exploration Limited to earn a 100% interest in a 22,000 hectare claim group that hosts a new copper/gold discovery. With the Anglo and Rio Tinto option, South Atlantic is the largest landholder in the historic Kiruna mining district of northern Sweden, holding over 117,000 hectares.

The Norrbotten project hosts a number of prospective targets and known mineral occurrences. In the first quarter of fiscal 2003, the Company initiated an exploration program at two targets along an extensive trend identified by ground geophysical surveying. The principal target model at the Norrbotten project is iron-oxide hosted copper/gold ("Olympic Dam style mineralization").

At the Leiteksavo target, historic drilling returned significant high grade intercepts, including a 9.25 metre intercept grading 6% copper, 3.3 g/t gold and 42 g/t silver in Hole Lei 6. The target is located 35 kilometres southwest of the 2 billion tonne Kiruna iron mine. South Atlantic carried out a ground geophysical program (magnetic, Induced Polarization and electromagnetic) to further define the target and delineate the extent of the strongest subsurface concentrations of sulphide mineralization. The Company is planning further exploration, including drilling at this target.

The Sierkavare target is an area of highly altered volcanic rocks and widespread anomalous copper/gold mineralization exhibiting the geologic characteristics typical of an iron oxide copper/gold environment. The Company carried out a small initial 5 hole drilling program to test an anomalous IP trend. The best results were in Hole PIK03002 which included a 1 metre interval of 2.45% Cu, 1.3 g/t Ag and 0.12 ppm Au. The target remains encouraging and additional geophysical ground surveys are planned to guide further drilling activities.

The new ground under option from Anglo and Rio Tinto hosts an important new copper/gold discovery referred to as the Rakkurijarvi Discovery Zone. The Rakkurijarvi Discovery Zone consists of a northeast trending, sub-vertical zone of chalcopyrite and gold in magnetite identified from a strong magnetic anomaly and associated induced polarization (I.P.) anomaly. The I.P. anomaly indicates a source with a strike length of at least 350 metres and is open to the northeast. The survey also indicates a possible extension of 300 metres to the southwest. The width of the zone appears average about 50 metres.

Drill results from Anglo American and Rio Tinto are as follows:

Anglo American and Rio Tinto Rakkurijarvi Drill Results

Hole #	Dip	Depth (m)	From (m)	To (m)	Length (m)	Cu (%)	Au g/t
00RAK001	-55˚	235.50	14.85	23.00	8.15	1.06%	0.19
			42.70	53.53	10.83	1.46%	0.28
00RAK002	-55˚	223.50	162.20	163.10	0.90	0.89%	0.15
00RAK003	-60˚	222.00	17.75	21.20	3.45	0.26%	Tr
00RAK004	-90˚	55.10	36.90	38.75	1.90	2.73%	0.88
				Hole abandoned in mineralization due to poor recovery			
00RAK04B	-80˚	209.00	7.40	15.50	8.10	1.02%	Tr
			23.80	47.60	23.80	1.36%	0.32
			58.40	74.30	15.90	1.97%	0.23
			87.40	107.20	19.80	0.65%	0.19
00RAK005	-50˚	30.50	5.20	30.50	25.30	1.63%	0.45
02RAK012	-70˚	198.00	168.15	169.00	0.85	1.89%	Tr
02RAK013	-60˚	98.35	51.30	62.25	10.95	1.20%	0.31
02RAK014	-65˚	105.60	67.00	70.80	3.80	1.88%	0.20
02RAK019	-65˚	129.70	66.15	83.95	17.80	2.20%	0.33
02RAK020	-55˚	196.60	14.70	48.35	33.65	1.60%	0.46
			119.10	131.10	12.00	2.00%	0.53
			151.80	156.00	4.20	1.90%	0.39
RKR99001*	-70˚	143.40	6.00	35.00	29.00	0.40%	0.08
			46.00	48.15	2.15	1.12%	0.3
RKR99003*	-70˚	120.00	67.80	69.60	1.80	0.41%	0.08

* Rio Tinto holes

Early in 2004, the Company commenced a US$1 million exploration drilling program of approximately 5,000 metres utilizing two drill rigs. The program was designed to define and extend the known areas of copper/gold mineralization in the Rakkurijarvi Discovery Zone as well as confirm previously drilled holes that had poor core recovery. Additionally, it will further evaluate several adjacent targets as identified by Anglo.

The Company was very pleased with the results and will continue with a systematic drill program to test the vertical and horizontal extent of the mineralization encountered so far. Geophysical survey results indicate mineralization extends for a strike length of approximately 500 meters in a NE-SW direction. In addition, adjacent parallel anomalies will be tested for mineralization, such as that found in drill hole RAK04001.

South Atlantic Rakkurijarvi Drill Results

Drill Hole	Section	Station	Angle Azimuth	From (m)	To (m)	Interval (m)	Copper (%)	Gold (g/t)
RAK04001	2800E	6420N	-60 deg. North	12.1	54.1	42.0	0.83	0.05
Including				12.1	23.1	11.0	1.16	0.04
RAK04002	2800E	6240N	-55 deg. North	17.0	57.4	40.4	1.41	0.33
Including				17.0	23.0	6.0	1.75	0.26
				32.0	38.8	6.8	2.23	0.41
				50.2	57.4	7.2	2.09	0.57
				143.3	156.4	13.1	1.35	0.41
RAK04003	2800E	6395N	-60 deg. North	80.8	81.35	0.55	1.22	0.12
RAK04004	3050E	6440N	-60 deg. North	70.4	91.25	20.85	1.09	0.22
RAK04005	2800E	6300N	-60 deg. North	22.8	51.1	28.3	0.89	0.24
Including				31.4	38.6	7.2	1.40	0.39
RAK04006	2800E	6210N	-60 deg. North	66.7	86.45	19.75	1.68	0.41
				169.6	173.2	3.6	1.32	0.42
RAK04007	2800E	6275N	-60 deg. North	13.55	16.2	2.55	0.39	0.06
				28.0	37.0	9.0	0.35	0.06
				40.9	59.0	18.1	0.94	0.14
				76.8	80.1	3.3	1.50	0.15
				118.0	126.93	8.93	0.56	0.08
RAK04008	2800E	6160N	-60 deg. North	135.6	144.25	8.65	0.46	0.16

North Atlantic Natural Resources AB

South Atlantic owns a 38% interest (11.9 million shares) in North Atlantic Natural Resources (NAN), a Swedish, publicly-traded company listed on the Stockholm Stock Exchange. The Company's shares in NAN have a current market value (May 12, 2004) of US$25.5 million.

NAN holds a 100% interest in the high grade Storliden zinc/copper mine. Storliden is a volcanogenic massive sulphide copper zinc deposit located eight kilometres northeast of the town of Malå in Västerbotten County, Sweden. It was discovered by NAN through geophysical technology in 1998 and put into production in 2002.

Storliden's 2003 production totaled 24.9 million pounds copper and 66.3 million pounds zinc at cash costs of US $0.23/lb copper and US$0.11/lb zinc. Storliden has an estimated mine life of 5 years.

NAN's 2003 pre-tax operating profit was US$8.2 million. After tax earnings per share were US$0.19 per share. Operating cash flow for 2003 was US$13 million. (Note: NAN reports in SEK - converted to US at 7.3858 for convenience only).

Zinkgruvan Zinc/Lead/Silver Mine - Sweden

On April 28, 2004, South Atlantic signed a definitive Sale and Purchase Agreement for the purchase of the Zinkgruvan Mine ("Zinkgruvan") from Rio Tinto plc ("Rio Tinto").

Consideration for the acquisition will comprise US$100 million in cash plus payments for working capital and a US$1 million non-refundable deposit (the deposit has now been paid). In addition, South Atlantic will pay to Rio Tinto a maximum of US$5 million in price participation payments based on the performance of zinc, lead and silver prices for a period of up to two years. The transaction is expected to close in the second quarter of 2004. The transaction is subject to financing and all requisite regulatory approvals.

Zinkgruvan is one of the largest underground mines in Europe and has been producing zinc, lead and silver on a continuous basis since 1857. The operation consists of an 800,000 tonne per annum underground mine and processing facility with associated infrastructure. Production for the year ended December 31, 2003, totaled approximately 145 million lbs. zinc, 70 million lbs. lead and 1.8 million oz. silver. Zinkgruvan has an outstanding track record, and according to leading industry analysts, Brook Hunt, has had production costs within the lowest cost quartile in 9 of the past 10 years.

The current mine plan estimates a 19-year mine life based on published mineral reserves and resources. Significant upside potential remains from both expanding the mine and from a land package containing unexplored regional targets. In addition, adjacent to existing underground infrastructure, unexploited copper resources, as indicated in the table below, have been discovered. South Atlantic intends to fast-track studies in order to explore incorporating this copper ore body into the Zinkgruvan mine plan in the near-term.

The acquisition of Zinkgruvan establishes South Atlantic as one of the premier mid-tier mining companies in Europe. Zinkgruvan builds South Atlantic's critical mass, adds an established first-class operating team, retains the company's geographical focus and creates a new base metal investment vehicle in Canada and Europe.

Zinkgruvan Reserves & Resources[(1),(2),(3)] as at 31 December 2003							
	Tonnes (M tonnes)	Zinc Grade (%)	Contained Zinc ('000 tonnes)	Lead Grade (%)	Contained Lead ('000 tonnes)	Silver Grade (g/t)	Contained Silver (Moz.)
Proven	7,875	9.9	780	5.2	410	103	26.1
Probable	1,627	9.3	151	2.8	46	68	3.6
Total Reserves	**9,502**	**9.8**	**931**	**4.8**	**456**	**97**	**29.6**
	Tonnes (M tonnes)	Zinc Grade (%)	Contained Zinc ('000 tonnes)	Lead Grade (%)	Contained Lead ('000 tonnes)	Silver Grade (g/t)	Contained Silver (Moz.)
Measured	1,069	7.8	83	1.5	16	34	1.2
Indicated	1,044	9.5	99	3.4	35	82	2.8
Total Measured + Indicated	**2,113**	**8.6**	**182**	**2.4**	**51**	**58**	**4.0**
Inferred	8,323	10.0	832	4.3	358	103	27.6

Additional Copper Resources[(1),(2),(3)] as at 31 December 2003							
	Tonnes (M tonnes)	Copper Grade (%)	Contained Copper ('000 tonnes)	Silver Grade (g/t)	Contained Silver (Moz.)	Zinc Grade (%)	Contained Zinc ('000 tonnes)
Indicated	2,667	3.0	80	52	4.5	0.5	13
Inferred	850	3.3	28	41	1.1	0.2	2

(1) Estimates of mineral reserves and mineral resources tonnages and grades have been produced in accordance with the JORC Code, reclassified by WGM according to CIM and NI 43-101 standards and disclosed with the permission of Rio Tinto plc. Amounts of metal contained in mineral reserves and mineral resources have been calculated by Macquarie, based only on these disclosed figures.

(2) Resources are reported exclusive of reserves. Reserves are inclusive of estimated mining dilution. Reserves are exclusive of stope pillars. Some rounding errors may occur.

(3) Ounces of silver contained in estimates of mineral reserves and mineral resources refer to troy ounces.

Administrative

Swedish Depository Receipts (SDRs) commenced trading on the Nya Marknaden of the Stockholm Stock Exchange in December, 2003 under the symbol "SAVS". Each SDR represents one issued common share on deposit, with E. Öhman J:or Fondkommission AB ("Öhman") of Stockholm, Sweden serving as custodian. Öhman is also sponsor for South Atlantic on Nya Marknaden.

Subsequent to the 2003 fiscal year, the Company raised Cdn$10 million by way of private placement.

The Company recently announced the appointment of Mr. Karl-Axel Waplan as Executive Vice President of Operations. Mr. Waplan will manage the operations of the Company as it takes its position as a mid-tier zinc producer with the forthcoming acquisition of the Zinkgruvan Mine from Rio Tinto plc in Sweden. Mr. Waplan is a senior mining executive with 25 years experience in mine management, financing, marketing and sales. Mr. Waplan will bring an invaluable wealth of expertise and knowledge to South Atlantic which will be critical to the success of the Company as it goes forward with the acquisition of the Zinkgruvan Mine.

South Atlantic is proposing to change the name of the Company to Lundin Mining Corporation. The name change is in view of the Company's focus in Scandinavia and reflects the Lundin family's commitment to the success of the Company. The name change will be considered by shareholders at the Company's Annual and Special Meeting on June 11, 2004 and is subject to regulatory approval.

On behalf of the Board,

(signed) Edward F. Posey
President

May 13, 2004

SOUTH ATLANTIC VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS
(Amounts in Canadian Dollars unless otherwise indicated)
DECEMBER 31, 2003 and 2002

The following discussion and analysis of the results of operations and financial conditions ("MD&A") for South Atlantic Ventures Ltd. (which, together with its subsidiaries, is collectively referred to as the "Company") should be read in conjunction with the consolidated financial statements for the years ended December 31, 2003 and 2002 and the related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is April 27, 2004.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

General

The Company has interests in several gold, silver and base metals properties located in Sweden and Finland. Some of these properties are held by North Atlantic Natural Resources AB ("NAN"), a publicly traded company on the O-list at Stockholmsbörsen, in which the Company has a 38.35 percent interest.

In December 2003, the Company completed a listing of Swedish Depository Receipts ("Depository Receipts") on Nya Marknaden at Stockholmsbörsen to complement its current listing on the TSX Venture Exchange. The Depository Receipts commenced trading on December 12, 2003 under the trading symbol "SAVS".

By agreement dated March 31, 2004, the Company agreed to acquire a copper-gold property located in the Kiruna mining district in northern Sweden from Anglo American Exploration BV ("Anglo") and Rio Tinto Mining and Exploration Limited ("Rio") (collectively, "Anglo-Rio"). The Company can earn a 100 percent interest in the property by expending a minimum of US$1 million in the first year and a total of US$6 million over a period of three years, and issuing 187,214 shares in the Company with a fair value of US$500,000 to Anglo-Rio. The Company has granted a four-year buy back right to Anglo-Rio for the purchase of 60 percent of any proven copper-gold deposit which meets a threshold equivalent to three million tonnes of contained copper (for example, 300 million tonnes at 1 percent Cu). The buy-back right will be at a price equal to three times the expenditures incurred by the Company. Any deposit developed that does not meet this threshold will carry a 2.25 percent NSR royalty to be paid to Anglo-Rio by the Company. This transaction is subject to regulatory approval.

On April 27, 2004, the Company agreed to acquire a 100 percent interest in North Mining Svenska AB ("NMS") and a 100 percent indirect interest in Zinkgruvan Mining AB ("ZM") from Rio Tinto Plc ("Rio Tinto"). This 100% interest comprises all of the outstanding shares of NMS and a loan payable by NMS to Rio Tinto. ZM owns the Zinkgruvan mine located in Southern Sweden. The purchase price for NMS and ZM will be US$100 million in cash plus payments of SEK 39,699,129 for working capital and a US$1 million non-refundable deposit. In addition, the Company will pay Rio Tinto a maximum of US$5 million in price participation payments based on the performance of zinc, lead and silver prices for a period up to two years. The Company will finance this acquisition through a public equity offering in Canada and Sweden. The acquisition is subject to regulatory approval and completion of the financing.

Selected Annual Information

	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001
Total Revenue (i)	$ 3,249,777	$ 747,422	$ 1,997,259
Net Income (Loss)	$ 1,175,702	$ (600,264)	$ 77,755
Data per Common Share			
Basic and Diluted Net Income (Loss)	$ 0.15	$ (0.10)	$ 0.01
Balance Sheet Data			
Total Assets	$ 19,966,535	$ 11,523,384	$ 7,074,142
Long Term Financial Liabilities (including current portion)	$ 925,316	$ 1,605,437	$ 527,835

(i) Consists of interest income and management fee income and the equity in the income (loss) of the significantly influenced investee.

Selected Quarterly Information

Financial Data for 8 Quarters								
Three Months Ended	**Dec-03**	**Sep-03**	**Jun-03**	**Mar-03**	**Dec-02**	**Sep-02**	**Jun-02**	**Mar-02**
A. Total revenue (loss) ($'000) (i)	655	950	935	710	259	380	212	(104)
B. Income (loss) before extraordinary items ($'000)	(586)	1,176	461	125	(178)	(104)	(254)	(64)
C. Net income (loss) ($'000)	(586)	1,176	461	125	(178)	(104)	(254)	(64)
D. Basis and diluted income (loss) per share ($)	(0.08)	0.15	0.06	0.02	(0.03)	(0.02)	(0.04)	(0.01)

(i) Consists of interest income and management fee income and the equity in the income (loss) of the significantly influenced investee.

Quarterly Analysis – Fourth Quarter of 2003 compared to 2002

Revenue – The increase in total revenues in the fourth quarter of 2003 over the fourth quarter of 2002 is mainly due to an increase in the Company's equity in the income of NAN. The equity income of NAN for the fourth quarter of 2003 reflected NAN having achieved commercial production at the Storliden mine during the second quarter of 2002.

Administrative Costs – The increase in administrative costs in the fourth quarter of 2003 is primarily attributed to the stock-based compensation expense representing the estimated fair value of stock options granted to non-employees during the quarter.

General Exploration – The increase in exploration expenses in the fourth quarter of 2003 is due to costs associated with the Company's discussion with Rio Tinto regarding the possibility of acquiring their zinc mine located in Southern Sweden and costs associated with the Bottenbacken project optioned by the Company and subsequently relinquished.

Comparison of the 2003 and 2002 financial years

Results of operations

The Company's net income for the year ended December 31, 2003 was $1.2 million as compared to a loss of $600,000 for the year of 2002. The increase in net income of $1.8 million for the year ended December 31, 2003 is primarily due to an increase in the Company's equity in the net income of NAN, offset by expenses of $399,000 incurred in connection with the Company's listing of Depository Receipts on Nya Marknaden at Stockholmsbörsen and a loss of $422,000 on the settlement of an amount receivable on sale of a mineral property. In addition, the Company received a termination fee in respect of the Company's pursuit of an interest in the Arctic Platinum project. The net amount of the termination fee, after deducting fees, due diligence costs and other expenses, was $382,000. Also included in the net income for 2003 was $407,000 in respect of deferred income realized on the repayment of notes receivable from related parties. This deferred income is offset by the forgiveness of accrued interest of $126,000 in respect of the notes receivable from related parties.

The Company's equity in the net income of NAN for 2003 was $2.9 million as compared to equity income of $386,000 for 2002. The equity income of NAN for the year of 2003 reflected NAN having achieved commercial production at the Storliden mine during the second quarter of 2002. NAN generated revenues of $48 million (SEK 276.8 million) for the year ended December 31, 2003 as compared to $17 million (SEK 105.4 million) for 2002. Total production for 2003 was 12,435 tonnes of copper metal in concentrates and 33,158 tonnes of zinc in concentrates as compared to 4,187 tonnes of copper metal in concentrates and 14,339 tonnes of zinc in concentrates for 2002. NAN's net earnings were $8 million (SEK 43.7 million) for the year ended December 31, 2003 as compared to $1 million (SEK 6.2 million) for 2002.

General and administrative expenses for the year ended December 31, 2003 were $778,000. This represented a decrease of $127,000 compared to expenses of $905,000 for 2002. There were no mine opening expenses in 2003 as compared to $187,000 for 2002. Included in the general administrative expenses for 2003 was $100,000 as compared to $111,000 for 2002 of non-cash stock-based compensation expense representing the estimated fair value of stock options granted to non-employees. General exploration expenses increased by $83,000 for 2003 as compared to 2002. The increase is due to costs associated with the Company's discussions with Rio Tinto regarding the possibility of acquiring their zinc mine located in Southern Sweden and costs associated with the Bottenbacken project optioned by the Company subsequently relinquished. Office and general expenses increased by $63,000 for 2003 as compared to 2002. The increase is mainly due to office costs associated with the Company's new office in Sweden. Also included in office and general expenses for 2003 was $22,000 in respect of office relocation costs. Consulting expenses decreased by $53,000 for 2003 as compared to 2002. In 2002, the Company incurred consulting expenses with respect to the compilation of technical properties reports for the purposes of filing the Company's annual information form with the regulatory authorities. Promotion and public relations expenses increased by $72,000 for 2003. The increase is primarily due to attendance at the New Orleans Investment Conference in November 2003, and promotional meetings and presentation and attendance at the Prospector and Developers Association Convention held in Toronto in March 2003. Overall wages and benefits for 2003 decreased by $92,000 due to an overall decrease in amounts paid to the President of the Company.

Interest income for 2003 was $259,000 as compared to $267,000 for 2002. Interest income for both 2003 and 2002 included interest accrued in respect of two promissory notes received for the sale of NAN shares to the President of the Company and an officer of NAN, of approximately $6,000 per quarter. Also included in interest income for 2003 was approximately $27,000 per quarter, in respect of loans to NAN that was funded by advances from a credit facility provided by the former Chairman of the Company. Interest income for 2003 and 2002 also included $109,000 and $151,000, respectively, in respect of an amount receivable on sale of a mineral property which has been settled during the fourth quarter of 2003.

Interest and bank charges were $266,000 for 2003 as compared to $262,000 for 2002. Interest and bank charges comprised mainly of interest on loans provided by two Swedish brokerage firms and the former Chairman of the Company.

Foreign exchange losses were $326,000 for 2003 as compared to losses of $380,000 for 2002. The foreign exchange losses were primarily due to fluctuating exchange rates in respect of loans denominated in Swedish Krona and an amount receivable on sale of a mineral property.

Comparison of the 2002 and 2001 financial years

Results of operations

The Company's net loss for the year ended December 31, 2002 was $600,000 as compared to net income of $78,000 for the year ended December 31, 2001, an increase in the net loss of $678,000. This increase in net loss is primarily due to the decrease in the Company's share of the net income of NAN and an increase in general administrative expenses. The Company's equity in the income of NAN for the year ended December 31, 2002 was $386,000 as compared to an equity income of $1.7 million for 2001. The equity income of NAN for 2002 reflects NAN having achieved commercial production at the Storliden mine during the second quarter of 2002. The equity income of NAN for 2001 included income resulting from NAN's recognition of future tax benefits not previously recognised. The 2002 results also included a recovery of $272,000 relating primarily to the disposition of a 1.5 percent NSR royalty on the Malanaset property in Sweden through the settlement of debts owed to NAN. The 2001 operating results included $817,000 of expenditures relating to the write-off of the Nordic Platinum project costs to operations and $111,000 of costs relating to the disposition of the Coromandel property.

General and administrative expenses for the year ended December 31, 2002 were $905,000 as compared to expenses of $611,000 for the year ended December 31, 2001, an increase of $294,000. During the third quarter of 2002, the Company incurred expenses of $187,000 related to the attendance by investment bankers, financial analysts, journalists and the Company's directors and officers at the Storliden mine opening. In addition, general and administrative expenses for 2002 included $111,000 of non-cash stock-based compensation expense representing the estimated fair value of stock options granted to non-employees. General exploration expenses in 2002 decreased by $62,000 to $24,000 as compared to 2001. General exploration expenses for both years related to the potential acquisition of the right to lease and option to purchase 100 percent of the MASA zinc mine in Brazil. During 2002, the Company decided not to pursue this acquisition.

Interest income for the years ended December 31, 2002 and 2001 were $267,000 and $204,000, respectively. Interest income for both 2002 and 2001 included interest accrued in respect of two promissory notes received for the sale of NAN shares to the President of the Company and an officer of NAN of $28,000 and $23,000, respectively. Also included in interest income for the year ended December 31, 2002 was $87,000 in respect of loans to NAN that was funded by advances by the Company from a credit facility provided by the Chairman of the Company. Interest income for 2002 and 2001 also included $151,000 and $168,000, respectively, in respect of an amount receivable on sale of a mineral property.

Interest and bank charges increased by $118,000 for the year ended December 31, 2002, as compared to 2001. Interest and bank charges comprised mainly of interest on loans provided by two Swedish brokerage firms and the Chairman of the Company.

Foreign exchange losses and gains of $380,000 and $81,000 for 2002 and 2001, respectively, were primarily due to foreign exchange gains arising from fluctuating exchange rates in respect of loans denominated in SEK and an amount receivable on sale of a mineral property.

Financial Condition, Liquidity and Capital Resources

At December 31, 2003 the Company had working capital of $8.4 million as compared to a working capital deficiency of $867,000 at December 31, 2002.

During the year ended December 31, 2003, the Company completed a private placement of 2 million shares of the Company at a price of $5.00 per share for gross proceeds of $10 million. The net proceeds will be used towards an exploration program on the Company's Norrbotten copper/gold project in northern Sweden as well as for general working capital purposes.

The Company also received approximately $1.2 million on account of the amount receivable on sale of a mineral property and a termination fee, net of expenses, of $382,000 in respect of the Company's pursuit of an interest in the Arctic Platinum project.

The account receivable increased from $54,000 at December 31, 2002 to $124,000 as at December 31, 2003, primarily as a result of value added taxes recoverable.

Accounts payable and other accrued liabilities increased from $621,000 at December 31, 2002 to $776,000 as at December 31, 2003, primarily as a result of increase accrued liabilities for the commencement of trading on Nya Marknaden at Stockholmsbörsen.

During the year ended December 31, 2003, the Company incurred $938,000 of expenditures on the Norrbotten project. These expenditures included permits, sampling, analysis and drilling costs.

The Company has limited capital resources and has to rely upon the sale of equity or debt securities for cash required for exploration and development purposes, for acquisitions and to fund the administration of the Company. It follows that there can be no assurance that financing, whether equity or debt , will always be available to the Company in the amount required at any particular time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

Contractual Obligations

Contractual Obligations	Less than 1 year	1-3 years	Total
Long-term debt (1)	$ 925,316	$ -	$ 925,316
Purchase obligations:			
Services agreement with Namdo Management Services Ltd.	96,000	-	96,000
Employment contract with the Company's President (2)	186,105	139,579	325,684
Total contractual obligations (3)	$ 1,207,421	$ 139,579	$ 1,347,000

(1) Loan payable to the former Chairman, including accrued interest, due May 31, 2004.

(2) Annual compensation of US$144,000 until September 30, 2005.

(3) Excludes future obligations arising from subsequent events described under "General" in this MD&A.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgements about matters that are inherently uncertain.

Note 2 to the consolidated financial statements for the years ended December 31, 2003 and 2002 include a summary of the significant accounting policies adopted by the Company. The following policies are considered to be the critical accounting policies since they involve the use of significant estimates.

Mining Properties and Related Expenditures

The Company carries its mining properties at cost less a provision for impairment. The Company defers exploration and development costs, which are related to specific projects until the commercial feasibility of the project is determinable. The costs of each property and related expenditures will be amortised over the economic life of the property on a units-of-production basis. Costs are charged for operations when a property is abandoned or when impairment in value that is other than temporary has been determined. General exploration costs are charged to operations as incurred.

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognised when the carrying value of those assets is not recoverable and exceeds their fair value. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an affect on the expected recoverability of the carrying values of the mining properties and related expenditures.

Income Taxes

Future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. Future income tax assets and liabilities are measured using tax rates that are expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognised is limited to the amount of the benefit that is more likely than not to be realised.

Management of the Company is required to exercise judgements and make assumptions about the future performance of the Company in determining its ability to utilise loss carry-forwards and thereby realise the benefits of future income tax assets.

Recent Accounting Pronouncements

Asset Retirement Obligations

In March 2003, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Section 3110 of the CICA Handbook, Asset Retirement Obligations. The Section is effective for fiscal years beginning on or after January 1, 2004, although earlier adoption is encouraged.

The Section requires recognition of liabilities for statutory, contractual or legal obligations associated with the retirement of mining property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

The Company will adopt the requirements of this Section as of January 1, 2004. The Company will apply the change retroactively; however, it is expected that there will be no restatement required to prior periods.

Stock-based compensation

In November 2003, the Accounting Standards Board of the CICA amended Section 3870 of the CICA Handbook, *Stock-Based Compensation and Other Stock-Based Payments*, to require use of a fair-value based method of accounting for all stock-based payments. The amendments are effective for fiscal years beginning on or after January 1, 2004, although earlier adoption is encouraged.

The Section, as it relates to the Company, requires retroactive application and either:

(a) Restatement of prior periods to include as an expense the stock-based compensation expense that was included in the pro forma note disclosures for prior periods; or,

(b) Adjustment to the opening balance of the deficit as of January 1, 2004 for the cumulative effect of the change on, but without restatement of, prior periods.

The Company will adopt the amended standard as of January 1, 2004 and will apply it retroactively, without restatement of prior periods. Consequently, the effect of this accounting change will be to increase the opening balance of the deficit for the year ending December 31, 2004 by approximately $641,000.

Related Party Transactions

The Company has transactions with related parties that are disclosed in Notes 4 and 11 of the consolidated financial statements.

Outstanding Share Data

As at March 31, 2004, the Company had 9,866,457 common shares outstanding and 520,000 share options outstanding under its stock-based incentive plans. As at the same date, the Company had 702,500 share purchase warrants outstanding.

Risks

The Company's properties/operations are subject to certain risks including but not limited to government regulations relating to mining, metal prices and currency rate fluctuations, competition, receipts of permits and approval from government authorities, operating hazards and other risks inherent to the exploration, development and operation of a mine.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set above.

Outlook

The Company anticipates completing the acquisition of the Zinkgruvan mine no later than June 30, 2004.

The Company continues to review a number of other precious and base metal projects for possible acquisition. Should the Company be successful in acquiring additional projects, it is expected that the Company will fund these projects either through the sale of its equity or debt securities or will seek a joint venture partner, or a combination thereof.

The accompanying consolidated financial statements of South Atlantic Ventures Ltd. and its subsidiaries and all information in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates, which have been made using careful judgment.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial and operating data elsewhere in the annual report are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of the Company and its subsidiaries have developed and continue to maintain systems of internal accounting controls that are appropriate in the circumstances. Although no cost effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, comprising management and outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the audit committee, with and without management being present.

These financial statements have been audited by Deloitte & Touche LLP, Chartered Accountants, and their report follows.

"Edward F. Posey"

Edward F. Posey
President

"Wanda Lee"

Wanda Lee
Chief Financial Officer

Vancouver, British Columbia
April 27, 2004

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Deloitte & Touche

Auditors' Report

To the Shareholders of
South Atlantic Ventures Ltd.

We have audited the consolidated balance sheets of South Atlantic Ventures Ltd. as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
March 31, 2004 (except as to Note 14 which is as of April 27, 2004)

South Atlantic Ventures Ltd.
Consolidated Balance Sheets

	Note	December 31, 2003	December 31, 2002
Assets			
Current assets			
Cash		$ 9,097,530	$ 1,580,880
Accounts receivable		124,200	53,895
Loan receivable from North Atlantic Natural Resources AB	11 (a)	925,316	1,605,437
Current portion of amount receivable on sale of mineral property	5	-	393,373
Notes receivable from related parties	4	-	559,467
Prepaid expenses		11,657	2,812
Total current assets		10,158,703	4,195,864
Non-current assets			
Amount receivable on sale of mineral property	5	-	1,404,673
Investment in North Atlantic Natural Resources AB	3	8,492,814	5,546,175
Mining properties and related expenditures	6	1,315,018	376,672
Total non-current assets		9,807,832	7,327,520
Total assets		$ 19,966,535	$ 11,523,384
Liabilities and Shareholders' Equity			
Current liabilities			
Loans payable, including accrued interest	7	$ -	$ 2,343,722
Accounts payable and other accrued liabilities		775,852	620,600
Due to related parties	11 (b)	1,026,705	1,691,983
Deferred income	4	-	406,624
Total current liabilities		1,802,557	5,062,929
Non-current liabilities			
Future income tax liabilities	10	1,023,990	470,913
Total non-current liabilities		1,023,990	470,913
Shareholders' equity			
Share capital	8 (a)	27,016,912	17,175,387
Contributed surplus	8 (b)	211,808	111,458
Deficit		(10,203,663)	(11,379,365)
Cumulative translation adjustments		114,931	82,062
Total shareholders' equity		17,139,988	5,989,542
Total liabilities and shareholders' equity		$ 19,966,535	$ 11,523,384

Subsequent events (Note 14)

Approved by the Board:

"Lukas H. Lundin"
Director

"William A. Rand"
Director

South Atlantic Ventures Ltd.
Consolidated Statements of Operations and Deficit

	Note	December 31, 2003	December 31, 2002
General exploration and project investigation		$ (107,001)	$ (23,730)
Management fees		(153,000)	(130,000)
Office and general		(65,630)	(2,484)
Professional fees		(85,190)	(123,565)
Consulting		(2,283)	(55,678)
Promotions and public relations		(81,684)	(9,204)
Mine opening		-	(187,068)
Stock exchange and filing fees		(40,350)	(27,247)
Stock-based compensation	8 (b)	(100,350)	(111,458)
Telephone and facsimile		(3,304)	(2,177)
Transfer agent and share information		(23,459)	(25,046)
Travel		-	-
Wages and benefit		(115,565)	(207,306)
Total expenses		(777,816)	(904,963)
Management fees		84,060	94,221
Interest income		258,917	267,268
Listing on Stockholmsbörsen		(399,209)	-
Interest and bank charges		(266,029)	(261,661)
Foreign exchange gains (losses)		(326,134)	(380,001)
Other income (expenses)		(648,395)	(280,173)
Loss before the undernoted		(1,426,211)	(1,185,136)
Gain on disposition of mineral property interests		-	271,530
Realisation of deferred income	4	406,624	-
Forgiveness of interest on notes receivable from related parties	4	(125,575)	-
Loss on settlement of amount receivable on sale of mineral property	5	(421,659)	-
Write-off of mineral property interest		-	(1)
Termination fee, net	9	381,830	-
Equity in income of significantly influenced investee	3	2,906,800	385,933
Income (loss) before income taxes		1,721,809	(527,674)
Future income tax expense	10	(546,107)	(72,590)
Net income (loss) for the year		1,175,702	(600,264)
Deficit, beginning of the year		(11,379,365)	(10,779,101)
Deficit, end of the year		$ (10,203,663)	$ (11,379,365)
Income (loss) per share:			
Basic		$ 0.15	$ (0.10)
Diluted		$ 0.15	$ (0.10)
Weighted average number of shares outstanding:			
Basic		7,718,880	6,270,657
Diluted		8,033,507	6,270,657

South Atlantic Ventures Ltd.
Consolidated Statements of Cash Flows

	December 31, 2003	December 31, 2002
Cash flow from (for) operating activities		
Net income (loss) for the year	$ 1,175,702	$ (600,264)
Add (deduct) non-cash items		
Accrued interest on notes receivable	(19,615)	(67,214)
Forgiveness of interest on notes receivable from related parties	125,575	-
Stock-based compensation expense	100,350	111,458
Write-off of mineral property interest	-	1
(Gain) loss on disposition of mineral property interests	-	(271,530)
Realisation of deferred income	(406,624)	-
Loss on settlement of amount receivable on sale of mineral property	421,659	-
Equity in income of significantly influenced investee	(2,906,800)	(385,933)
Future income tax expense	546,107	72,590
Unrealised foreign currency translation losses	163,022	265,047
Net changes in non-cash working capital items		
Accounts receivable and prepaid expenses	(79,150)	(29,960)
Accounts payable and other accrued liabilities	155,252	7,062
Total cash flow from (for) operating activities	(724,522)	(898,743)
Cash flow from (for) financing activities		
Common shares issued, net	9,841,525	2,860,000
Due to related parties	(665,278)	1,163,374
Loans payable	(2,343,722)	(174,147)
Total cash flow from (for) financing activities	6,832,525	3,849,227
Cash flow from (for) investing activities		
Mining properties and related expenditures	(938,346)	(376,672)
Loan receivable from NAN	680,121	(1,077,602)
Notes receivable from related parties	429,422	-
Amount receivable on sale of mineral property	1,237,450	-
Total cash flow from (for) investing activities	1,408,647	(1,454,274)
Increase (decrease) in cash	7,516,650	1,496,210
Cash at the beginning of the year	1,580,880	84,670
Cash at the end of the year	$ 9,097,530	$ 1,580,880

Supplementary information regarding non-cash transactions

Investing activities		
Disposition of mineral property interests in exchange for settlement of debt	$ -	$ 275,361
Financing activities		
Repayment of amounts payable to related parties	$ -	$ 275,361
Other supplementary information		
Interest paid	$ 338,974	$ 330,279
Income taxes paid	$ -	$ -

1. Description of business

The Company has interests in several gold, silver and base metals properties located in Sweden and Finland. The majority of these properties are currently held by NAN, a publicly traded company on the O-list at Stockholmsbörsen, in which the Company has a 38.35 percent interest.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") that require management to make assumptions and estimates that affect the reported amounts and other disclosures in these consolidated financial statements. Actual results may differ from those estimates.

The significant accounting policies used in these consolidated financial statements are as follows:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, South Atlantic (Bermuda) I Ltd., South Atlantic (Bermuda) II Ltd., South Atlantic (Bermuda) IV Ltd., South Atlantic (Norrbotten) Ltd., South Atlantic in Norrbotten HB, South Atlantic (Finland) Ltd. and Vazante Mineração Ltda. All significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Foreign currency translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at the exchange rate prevailing on the balance sheet date. Exchange gains and losses arising from translation are included in operations.

Integrated foreign operations are translated into Canadian dollars as follows: monetary assets and liabilities are translated at the exchange rate prevailing on the balance sheet date; non-monetary assets, liabilities, revenues and expenses are translated at exchange rates prevailing on the dates of the transactions. Exchange gains and losses arising from translation are included in operations.

The Company considers NAN to be a self-sustaining foreign operation. Accordingly, in applying the equity method of accounting to its investment in NAN, the Company translates NAN's financial statements into Canadian dollars as follows: assets and liabilities are translated at the exchange rate prevailing on the balance sheet date, and revenues and expenses are translated at exchange rates approximating those prevailing on the dates of transactions. Exchange gains and losses arising from translation are reflected in the cumulative translation adjustments included in shareholders' equity.

(c) Investment in NAN

The Company accounts for its investment in NAN using the equity method whereby the Company's share of its earnings and losses is included in operations and its investment therein adjusted by an equivalent amount. Dividends received are credited to the investment account.

(d) Mining properties and related expenditures

The Company carries its mining properties at cost less a provision for impairment, where necessary. The Company also defers exploration and development costs, which are related to specific projects until the commercial feasibility of the projects is determinable. The costs of each property and related expenditures will be amortised over the economic life of the property on a units-of-production basis. Costs are charged to operations when a property is abandoned or when impairment in value that is other than temporary has been determined.

General exploration costs are charged to operations as incurred.

The recovery of amounts capitalised as mineral properties and related expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their development and upon future profitable operations.

(e) Stock-based compensation

The Company accounts for stock-based compensation pursuant to the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, that were effective in 2002. This section established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments in exchange for goods and services. The section requires that all stock-based awards made to non-employees be measured and recognised using a fair-value based method. The section encourages a fair-value based method for all awards granted to directors, officers and employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets.

For options granted to directors, officers and employees, the Company has adopted the disclosure-only provisions of the section, whereby the pro-forma net income (loss) and pro-forma income (loss) per share are disclosed in note 8(b) to the financial statements, as if the fair value based method of accounting had been used.

(f) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognised is limited to the amount of the benefit that is more likely than not to be realised.

(g) Income (loss) per share

The income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. In calculating diluted income (loss) per share, the treasury stock method is used for the purpose of determining the common share equivalents with respect to outstanding stock options and warrants to be included in the weighted average number of common shares outstanding, if dilutive.

3. Investment in North Atlantic Natural Resources AB

Changes in the carrying value of the Company's investment in NAN are as follows:

	December 31, 2003	December 31, 2002
Carrying value, beginning of year	$ 5,546,175	$ 4,286,144
Share of:		
Net earnings	2,906,800	385,933
Foreign currency translation adjustments	39,839	874,098
Carrying value, end of year	$ 8,492,814	$ 5,546,175

At December 31, 2003 and 2002, the Company had a 38.35 percent interest (11,980,000 shares) in NAN. The quoted market value of the Company's investment in NAN at December 31, 2003 was $40,235,070 (SEK 224,026,000) (2002 - $22,638,000 (SEK 124,592,000)) (see Note 7).

4. Notes receivable from related parties

Effective April 1, 1999, the Company sold 155,000 shares of NAN to the President of the Company and 45,000 shares to an officer of NAN at a price of SEK 12.50 per share. The purchase price was paid through the issuance of two promissory notes with interest at 6.17 percent per annum and were repayable on December 31, 2003, together with accrued interest. The Company recorded the gain on the sale of the shares as deferred income.

During the year ended December 31, 2003, the principal amount of the two promissory notes was repaid and accrued interest totalling $125,575 was forgiven. Accordingly, the gain on the sale of the shares in the amount of $406,624 previously recorded as deferred income and the forgiveness of the accrued interest totalling $125,575 have been recorded as a gain and loss, respectively, in operations in 2003.

5. Amount receivable on sale of mineral property

	December 31, 2003	December 31, 2002	
	Canadian Dollars	US Dollars	Canadian Dollars
Balance receivable of US$1,275,000 discounted at 12 percent and maturing in 2005	-	$ 1,138,292	$ 1,798,046
Less current portion	-		393,373
Long-term portion	Nil		$ 1,404,673

During 2003, the Company received $1,237,450 in repayment of the amount receivable. The remaining balance of $421,659, after adjustment of the amount receivable for changes in foreign exchange rates, was recorded as a loss in operations in 2003.

6. Mining properties and related expenditures

	Norrbotten Sweden	Other	Total
Balance, December 31, 2001	$ -	$ 1	$ 1
Administrative fees	13,439	-	13,439
Camp and field supplies	10,427	-	10,427
Geophysical	50,364	-	50,364
Geological and consulting fees	51,637	-	51,637
Office and general	433	-	433
Permits, licenses and fees	240,846	-	240,846
Rent	3,064	-	3,064
Sample analysis	5,498	-	5,498
Vehicle rental and maintenance	964	-	964
Incurred during the year	376,672	-	376,672
Write-down	-	(1)	(1)
Balance, December 31, 2002	376,672	-	376,672
Administrative fees	62,553	-	62,553
Camp and field supplies	15,666	-	15,666
Drilling	173,461	-	173,461
Geophysical	-	-	-
Geological and consulting fees	545,013	-	545,013
Office and general	5,534	-	5,534
Permits, licenses and fees	10,994	-	10,994
Rent	28,380	-	28,380
Sample analysis	11,648	-	11,648
Vehicle rental and maintenance	85,097	-	85,097
Incurred during the year	938,346	-	938,346
Balance, December 31, 2003	$ 1,315,018	$ -	$ 1,315,018

(a) In September 2002, the Company applied for mining exploration permits covering approximately 80,000 hectares of prospective ground in the Kiruna mining district of Norrbotten County, northern Sweden.

(b) During 2002, the Company repaid debts of $268,294 (US$ 169,023) owed to NAN for services and expenses incurred by NAN on behalf of the Company in exchange for the Company relinquishing all of its rights relating to a 1.5 percent NSR royalty on the Malanaset project in Sweden.

7. Loans payable

	December 31, 2003	December 31, 2002	
	Canadian Dollars	SEK	Canadian Dollars
Hagströmer & Qviberg Fondkommission AB ("Hagströmer")			
Principal	-	6,765,566	$ 1,229,304
Accrued interest	-	524,259	95,258
Kaupthing Bank (formerly JP Nordiska and Matteus Fondkommission AB) ("Kaupthing")			
Principal	-	4,611,838	837,971
Accrued interest	-	997,190	181,189
	NIL	12,898,853	$ 2,343,722

Under a credit facility agreement, Hagströmer, a Swedish brokerage firm, has agreed to lend Swedish denominated funds to the Company limited to 10 percent of the market value of the NAN shares pledged. The loan was with interest at various rates ranging from 6.75 percent to 7.50 percent dependent on the amount of the loan and was secured by 8,980,000 shares of NAN owned by the Company.

In April 2003, the outstanding loan account with Hagströmer was transferred to Öhman Fondkommission AB ("Öhman") and was subsequently repaid.

The Company had also arranged an additional credit facility of SEK 5.5 million with Kaupthing, which was limited to 25 percent of the market value of the NAN shares pledged. This credit facility was secured by 3 million shares of NAN owned by the Company. The loan was with interest at 7.45 percent. During the year ended December 31, 2003, the loan with Kaupthing was repaid.

8. Share capital

(a) The authorised and issued share capital is as follows:

Authorised - unlimited number of common shares with no par value and one special share with no par value.

	Number of shares	Amount
Common shares issued and outstanding:		
Balance, December 31, 2001	6,229,957	$ 14,315,387
Private placement, net of issue costs	1,480,000	2,860,000
Balance, December 31, 2002	7,709,957	17,175,387
Private placement, net of issue costs	2,000,000	9,700,000
Stock options exercised	54,000	113,400
Warrants exercised	12,500	28,125
Balance, December 31, 2003	9,776,457	$ 27,016,912

(b) The Company has a stock option plan (the "Plan") in which 750,000 common shares were made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. The number of common shares reserved under the Plan was based on 10 percent of the issued and outstanding share capital of the Company. In accordance with the policies of the TSX Venture Exchange, the option exercise price, when granted, reflects current trading values of the Company's shares and all of the options are subject to a four-month "hold" period from the date of grant. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed 10 years from the date of grant. No optionee shall be entitled to a grant of more than 5 percent of the Company's outstanding issued shares. At December 31, 2003, there were 111,000 options available for future grant under the Plan.

The continuity of incentive stock options issued and outstanding during 2003 and 2002 is as follows:

	2003		2002	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at beginning of year	450,667	$2.14	397,916	$2.94
Granted	205,000	$5.00	434,000	$2.10
Exercised	(54,000)	$2.10	-	-
Cancelled/expired	(16,667)	$2.40	(381,249)	$2.93
Outstanding at end of year	585,000	$3.14	450,667	$2.14

As at December 31, 2003, the 585,000 options outstanding expire on May 15, 2004 through December 4, 2005.

If the fair value method had been used, effective January 1, 2002, to account for options granted to directors, officers and employees, the Company's net income (loss) and income (loss) per share would have been adjusted to the pro forma amounts indicated below.

	Year ended December 31, 2003	Year ended December 31, 2002
Net income (loss) – as reported	$ 1,175,702	$ (600,264)
Additional stock-based compensation expense	(346,345)	(295,037)
Net income (loss) – pro forma	$ 829,357	$ (895,301)
Basic income (loss) per share – as reported	$ 0.15	(0.10)
Diluted income (loss) per share – as reported	$ 0.15	(0.10)
Basic income (loss) per share – pro forma	$ 0.11	(0.14)
Diluted income (loss) per share – pro forma	$ 0.10	(0.14)

The fair value of options granted has been estimated using an option-pricing model with the following weighted average assumptions:

	2003	2002
(i) Average risk-free interest rate:	2.6 percent	4.8 percent
(ii) Expected life:	2 years	2 years
(iii) Expected volatility:	75 percent	78 percent
(iv) Expected dividends:	Nil	Nil

The 45,000 options granted to non-employees during the year ended December 31, 2003 (2002 - 119,000 options) were valued using the fair value method with the same option-pricing model assumptions. Stock-based compensation of $100,350 (2002 - $111,458) has been reflected in the financials statements as a charge to operations and a credit to contributed surplus.

(c) As at December 31, 2003, the Company has the following share purchase warrants outstanding:

Number of warrants	Exercise price	Expiry date
385,000	$2.25	December 16, 2004
342,500	$2.25	December 19, 2004
727,500		

9. Other income

During the year ended December 31, 2003, the Company received a termination fee in respect of the Company's pursuit of an interest in the Arctic Platinum project. The net amount of the termination fee, after deducting fees, due diligence costs and other expenses, was $381,830.

10. Income taxes

The reconciliation of income taxes computed at the Canadian statutory tax rates to the Company's effective income tax rate for the years ended December 31, 2003 and 2002 is as follows:

	2003	2002
Combined basic federal and provincial rates	37.6%	39.6%
Income tax (recovery) expense based on statutory income tax rates	$ 647,400	$ (208,959)
Increase (decrease) in income taxes resulting from:		
Tax benefits not recognised on current year losses	445,557	361,789
Non-taxable income	(546,478)	(76,415)
Other	(372)	(3,825)
Income tax expense	$ 546,107	$ 72,590

Temporary differences and carry-forwards which give rise to future income tax assets and liabilities as at December 31, 2003 and 2002 are as follows:

	December 31, 2003	December 31, 2002
Future income tax assets:		
Mining properties and related expenditures	$ 611,003	$ 594,426
Canadian tax loss carry forwards	1,573,703	1,459,990
	2,184,706	2,054,416
Valuation allowance	(2,184,706)	(2,054,416)
Net future income tax assets	Nil	Nil
Future income tax liabilities:		
Investment in NAN	1,023,990	470,913
Future income tax liabilities, net	$ 1,023,990	$ 470,913

At December 31, 2003, the Company had accumulated non-capital losses for Canadian income tax purposes of approximately $4,185,000, which expire as follows:

2004	$ 534,000
2005	$ 1,086,000
2006	$ 384,000
2007	$ 399,000
2008	$ 490,000
2009	$ 593,000
2010	$ 699,000

The Company also has, through its subsidiaries, other tax loss and other deductions carried forward, the amounts of which currently are unlikely to be utilised.

11. Other related party transactions

(a) Due from NAN:

In October 2001, the Company agreed to provide a credit facility to NAN. The credit facility was to mature on December 30, 2003 but has been extended to May 31, 2004. The loan bears an interest rate at 8 percent per annum and is secured by a subordinated floating charge over the mining business of NAN. Concurrent with the amendment to the terms of this credit facility, the former Chairman of the Company agreed to amend the credit facility provided by him to the Company on similar terms (Note 11(b)(i)).

At December 31, 2003, the balance due from NAN under this credit facility, including accrued interest, was $925,316 (SEK 5,152,092) (2002 - $1,605,437 (SEK 8,835,644)).

Interest income from the loan to NAN was $172,951 (SEK 964,592) in 2003 (2002 – $106,412 (SEK 585,644)).

(b) Due to related parties consists of:

		December 31, 2003		December 31, 2002
Current liabilities:				
Amounts payable to companies owned by a director of the Company	$	34,931	$	12,034
Amounts payable to NAN (Note 6(d))		66,458		74,512
Loan payable to the former Chairman of the Company (i)		925,316		1,605,437
	$	1,026,705	$	1,691,983
Long-term liability:				
Loan payable to the former Chairman of the Company (i)	$	-	$	-

(i) In October 2001, the former Chairman of the Company agreed to provide a credit facility to the Company. The credit facility was to mature on December 30, 2003 but has been extended to May 31, 2004. The loan bears an interest rate of 8 percent per annum and is secured by a guarantee of the Company and a pledge of the shares of its subsidiary, South Atlantic (Bermuda) I Ltd.

At December 31, 2003, the balance due under this credit facility, including accrued interest, was $925,316 (SEK 5,152,092) (2002 – $1,605,437 (SEK 8,835,644)).

Interest expense on the loan was $172,951 (SEK 964,592) in 2003 (2002 – $106,412 (SEK 585,644)).

(c) Other charges from related parties consist of:

	2003	2002
Charges from a company related through directors and/or management in common for:		
Management and administrative services	$ 153,000	$ 130,000
Office relocation costs	$ 22,000	$ -
Fee in connection with termination fee received (Note 9)	$ 100,000	$ -

(d) The Company provides management services to NAN for a fee of US$5,000 per month.

12. Segmented information

The Company is currently engaged in one operating segment, the acquisition, exploration and development of mineral properties, primarily in Canada and Sweden. Geographic segmented information is as follows:

	2003	2002
Revenues (i)		
Sweden	$ 3,118,075	$ 595,518
Canada	131,702	151,904
	$ 3,249,777	$ 747,422
Mining properties at the end of the year:		
Sweden	$ 1,315,018	$ 376,672

(i) Consists of interest income and management fee income, and the equity in the income (loss) of the significantly influenced investee.

13. Financial instruments

(a) Financial risk

There is financial risk that the value of the Company's financial instruments will fluctuate as a result of changes in interest rates and foreign exchange rates, and the degree of volatility of those rates. The Company does not use derivative instruments to reduce its exposure to interest and foreign currency risk.

(b) Fair values

The fair value at December 31, 2003 of cash, accounts receivable, the loan receivable from NAN, accounts payable, and the amounts due to related parties is estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of the investment in NAN is disclosed in Note 3.

14. Subsequent events

(a) By agreement dated March 31, 2004, the Company agreed to acquire a copper-gold exploration property located in the Kiruna mining district in Northern Sweden from Anglo-American Exploration BV ("Anglo") and Rio Tinto Mining and Exploration Limited ("Rio"), collectively ("Anglo-Rio"). The Company can earn a 100% interest in the property by expending a minimum of US$1 million in the first year and a total of US$6 million over a period of three years, and by issuing 187,214 shares in the Company with a fair value of US$500,000 to Anglo-Rio. The Company has granted a four-year buy-back right to Anglo-Rio for the purchase of 60% of any proven copper-gold deposit that meets a threshold equivalent to 3 million tonnes of contained copper. The buy-back right will be at a price equal to three times the expenditures incurred by the Company. Any deposit developed that doesn't meet this threshold will carry a 2.25% net smelter return royalty to be paid to Anglo-Rio by the Company. This transaction is subject to regulatory approval.

(b) On April 27, 2004, the Company agreed to acquire a 100% interest in North Mining Svenska AB ("NMS") and a 100% indirect interest in Zinkgruvan Mining AB ("ZM") from Rio Tinto Plc ("Rio Tinto"). This 100% interest comprises all of the outstanding shares of NMS and a loan payable by NMS to Rio Tinto. ZM owns the Zinkgruvan mine located in Southern Sweden. The purchase price for NMS and ZM will be US$100 million in cash plus payments of SEK 39,699,129 for working capital and a US$1 million non-refundable deposit. In addition, the Company will pay Rio Tinto a maximum of US$5 million in price participation payments based on the performance of zinc, lead and silver prices for a period up to two years. The Company will finance this acquisition through a public equity offering in Canada and Sweden. The acquisition is subject to regulatory approval and completion of the financing.

SOUTH ATLANTIC VENTURES LTD.
CORPORATE DIRECTORY
DECEMBER 31, 2003

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Edward F. Posey,
  President
Wanda Lee,
  Controller/Treasurer
Jean R. Florendo,
  Corporate Secretary

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Edward F. Posey
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* Audit Committee

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BANKERS
Canadian Imperial Bank of Commerce
Vancouver, British Columbia, Canada

The Bank of Bermuda
Bermuda

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South Atlantic (Bermuda) II Ltd.
South Atlantic (Bermuda) IV Ltd.
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South Atlantic in Norrbotten HB
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Authorized: Unlimited number of common shares
Issued and Outstanding: 9,776,457 shares

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